2002 ANNUAL REPORT

GREAT LAKES HYDRO INCOME FUND

STRATEGICALLY FOCUSSED

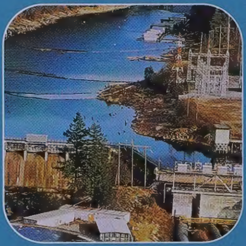
STRATEGIC FOCUS ON HYDROELECTRIC ASSETS

PRODUCTION BASE

Lièvre River Power

Generating Stations	3
Generating Units	10
Installed Capacity (MW)	238
Average Annual Energy (GWh)	1,418
Average Price (¢/KWh)	3.6
Cash Operating Cost (¢/KWh)	0.8

Powell River Energy



Generating Stations	2
Generating Units	7
Installed Capacity (MW)	82
Average Annual Energy (GWh)	522
Average Price (¢/KWh)	3.5
Cash Operating Cost (¢/KWh)	0.7

Maine Power

Generating Stations	6
Generating Units	31
Installed Capacity (MW)	126
Average Annual Energy (GWh)	730
Average Price (US¢/KWh)	3.6
Cash Operating Cost (US¢/KWh)	0.8

New Hampshire Power

Generating Stations	6
Generating Units	21
Installed Capacity (MW)	31
Average Annual Energy (GWh)	185
Average Price (US¢/KWh)	3.6
Cash Operating Cost (US¢/KWh)	1.2

Mississagi Power

Generating Stations	4
Generating Units	8
Installed Capacity (MW)	488
Average Annual Energy (GWh)	750
Average Price (¢/KWh)	5.8
Cash Operating Cost (¢/KWh)	1.3

Great Lakes Hydro Income Fund is the largest power income fund in North America with 965 MW and an average annual production of 3,605 GWh.

DESCRIPTION		*HIGHLIGHTS*
Acquired in November 1999, Lièvre River Power is located in western Quebec along the Lièvre River, a tributary of the Ottawa River. The facilities include three hydroelectric generating stations with an installed capacity of approximately 238 MW and approximately 50 kilometres of	transmission lines interconnected to the Quebec and Ontario power grids. Together they produce on average 1,418 GWh annually with water storage capacity of 477 GWh. The system's watershed area covers approximately 9,560 square kilometres.	**1/3** of Total Output
Acquired in February 2001, Powell River Energy is located on the west coast of the British Columbia mainland, approximately 160 kilometres north of Vancouver. The facilities consist of two hydroelectric generating stations with a total installed capacity of 82 MW.	They produce on average 522 GWh annually with a water storage capacity of 175 GWh. The system's watershed area covers approximately 1,979 square kilometres with approximately 20 kilometres of transmission lines with interconnections to the British Columbia power grid.	**Lowest** Cost
Acquired in February 2002, Maine Power is located on the Penobscot River in northern Maine. The facilities consist of six hydroelectric generating stations and 11 storage dams with a total installed capacity of 126 MW, producing on average 730 GWh of electricity annually.	Total water storage capacity is 376 GWh. The system's watershed area covers approximately 8,678 square kilometres with interconnections to the New England power grid.	Largest Storage **Capacity**
Acquired in May 2002, the New Hampshire Power plants are located on the Androscoggin River near Berlin, New Hampshire. The facilities consist of six hydroelectric generating stations with a total installed capacity of 31 MW, producing on average 185 GWh of electricity annually.	The system's watershed area covers approximately 3,525 square kilometres with interconnections to the New England power grid. Total water storage capacity is 89 GWh.	Creating **Synergies** in Northeast US
Acquired in May 2002, Mississagi Power is located on the Mississagi River in northern Ontario. The facilities consist of four hydroelectric generating stations and four water storage dams with a total installed capacity of 488 MW, producing on average 750 GWh of electricity annually.	The system's watershed area covers approximately 9,300 square kilometres with an interconnection to the Ontario power grid. Total water storage capacity is 184 GWh.	18% capacity factor **Peaking** Power

AT A GLANCE

GLH.UN

Our objective is to establish the Great Lakes Hydro Income Fund as the premier income fund in Canada through the ownership of long-life, low-cost generating assets, which provide stable and sustainable cash distributions to our unitholders.

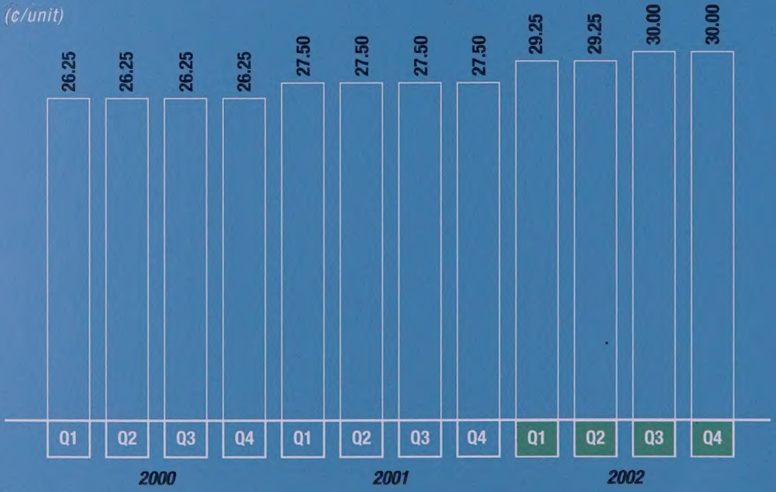
QUALITY ASSETS | DIVERSIFICATION | DELIVERING RESULTS | STRONG SPONSORSHIP

	Generating Stations	Installed Capacity (MW)[1]	Average Generation (GWh)[2]	Capacity Factor
Lièvre River Power	3	238	1,418	68%
Powell River Energy	2	82	522[3]	73%
Maine Power	6	126	730	66%
New Hampshire Power	6	31	185	68%
Mississagi Power	4	488	750	18%
Total	**21**	**965**	**3,605**	**42%**

(1) Megawatts – MW
(2) Gigawatt hours – GWh
(3) The fund owns a 50% economic interest in the facilities. Systems statistics represent 100% of the facilities.

QUARTERLY DISTRIBUTIONS

(¢/unit)



The Fund has established a track record of stable growth in cash distributions.

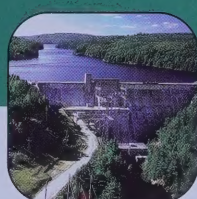
DISTINGUISHING FEATURES

- ***Power produced exclusively from water, a non-depleting renewable resource.***
- ***One of the lowest-cost producers in North America with a proven technology and predictable capital requirements.***
- ***Strategic interconnections with Quebec, Ontario, British Columbia and New England power grids.***
- ***Strong and aligned sponsor – Brascan Power – providing price and credit guarantees.***
- ***Operations span five different geographic regions – with significant water storage capabilities.***

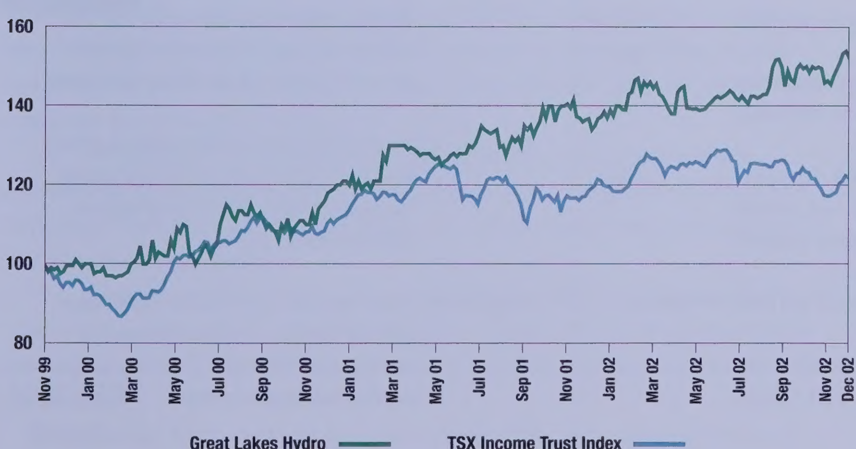
FINANCIAL HIGHLIGHTS

For the 12-month period (in millions of dollars unless otherwise indicated)	*2002*	*2001*
Electricity Generated (GWh)		
Lièvre River Power	1,400	1,224
Powell River Energy	271	181
Maine Power	477	—
New Hampshire Power	81	—
Mississagi Power	340	—
	2,569	1,405
Revenues	112.6	53.6
Distributable Cash Generated	39.6	22.3
Per Unit	0.94	0.99
Distribution Declared to Unitholders	52.9	27.6
Per Unit	1.19	1.10
Average Fund Units Outstanding (000)	42,316	22,631

We continue to deliver strong financial performance, building on our quality assets and operating expertise.



CONTINUED STRONG PERFORMANCE

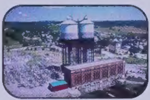


Since its inception in 1999, the Fund has outperformed the TSX Income Trust Index.

ACHIEVEMENT HIGHLIGHTS

1999

- *November* – Launched the Great Lakes Hydro Income Fund with public offering of 15.3 million units for total proceeds of $153.1 million
- Acquired Lièvre River Power with an installed capacity of 238 MW



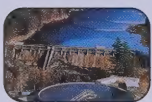
- *November* – Traded on TSX under the symbol GLH.UN at initial price of $10.00 per unit

TSX

2000

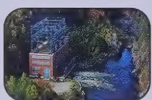
- *April* – Successfully completed a private placement of $100 million in first mortgage bonds
- *June* – Completed secondary offering of 2.5 million units at $10.10/unit for $25.5 million
- Paid annual distribution of $1.05/unit

2001



- *February* – Acquired Powell River Energy in British Columbia with an installed capacity of 82 MW – adding 4¢/unit to our annual distribution
- *December* – Completed public offering of an additional 11.3 million units at $13.75/unit for net proceeds of $150.6 million
- Paid annual distribution of $1.10/unit

2002

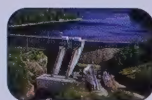


- *February* – Acquired Maine Power System with an installed capacity of 126 MW

- *May* – Acquired the New Hampshire Power System with an installed capacity of 31 MW
- Together New Hampshire and Maine Power added 7¢/unit to our annual distribution
- *July* – Announced increased annual distribution to $1.20 per unit – an increase of 14% since inception

+14%

- *December* – $15.23 unit price
- Paid annual distribution of $1.185/unit
- *May* – Successfully completed a public offering of an additional 14.7 million units at $14.00/unit for total proceeds of $200 million



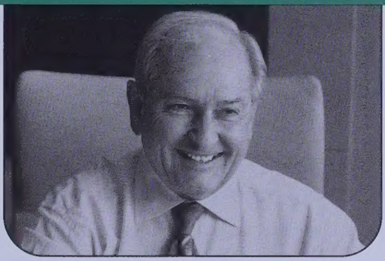
- *May* – Acquired Mississagi Power with an installed capacity of 488 MW, bringing the total installed capacity of the Fund to 965 MW and adding 3¢/unit to our annual distribution
- *May* – Received honourable mention from Quebec's Ministry of Public Safety for the successful completion of the Lièvre River emergency preparedness simulation
- *November* – Recognition received by Lièvre River Power from the Canadian Electricity Association with a Gold Award for its excellent safety performance

CEA Gold Award

2003

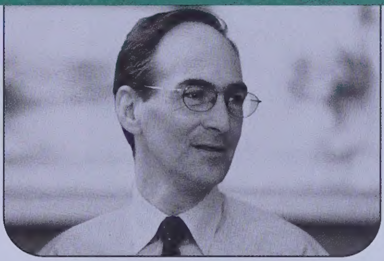
REPORT TO UNITHOLDERS

The Fund's strategic focus on owning and operating high quality hydroelectric assets in select North American markets will continue to deliver long-term stable and sustainable results.



Quality assets, a motivated management team and a strong sponsor are key components for continued success in 2003 and beyond.

André Bureau, O.C.
Chairman of the Board of Trustees
Great Lakes Power Trust



We continue to focus on establishing the Fund as the premier income fund in Canada.

Richard Legault
President and Chief Executive Officer
Great Lakes Hydro Income Fund

2002 was a year of significant progress for the Great Lakes Hydro Income Fund. We were able to enhance value for unitholders by maintaining our strategic focus on high quality hydroelectric assets. The successful acquisition and integration into our operations of the Maine, Mississagi and New Hampshire power systems this year was a clear example of our strategy in action. Through these growth initiatives, we have increased our quarterly distributions to 30 cents, a 14% increase since our inception and 9% over 2001.

With operations spanning five different geographic regions, these acquisitions strengthened our competitive position by mitigating the impact of hydrology fluctuations and by furthering our expansion into the northeastern US and Ontario energy markets.

Since November 1999, we have more than quadrupled our installed capacity from 238 MW to 965 MW, making the Great Lakes Hydro Income Fund the largest power fund in Canada in terms of installed capacity and power production.

During 2002, the Fund generated 2,569 GWh, an increase of 83% over last year, and achieved a 110% increase in revenues over 2001 to $112.6 million.

Annual distributions have increased to $1.20/unit establishing a track record of growth and enhanced unitholder value.

STRATEGIC FOCUS FOR 2003

Unitholder Value

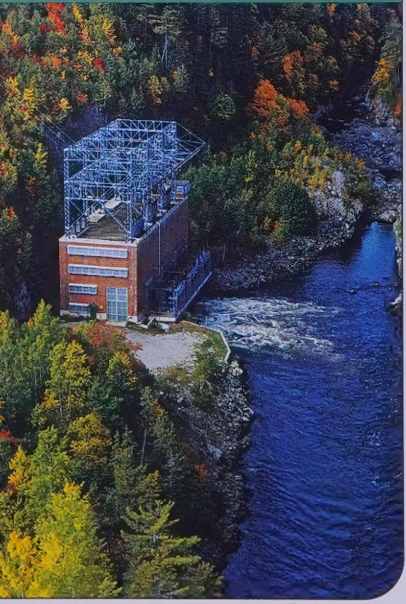
- Provide stable and sustainable distributions.
- Maintain and optimize existing assets.
- Continue to seek and capitalize on acquisition opportunities that are consistent with our investment profile – low-cost, long-life and reliable assets.

Health and Safety

- Maintain a safe and healthy work environment.

Environment

- Proactively manage the environment in order to protect renewable resources.



In addition, the Fund increased its distributable cash generated by 78% in 2002 to $39.6 million. This increase was driven by the acquisition of the Maine, New Hampshire and Mississagi power systems and better water conditions at Lièvre River Power and Powell River Energy.

We were active in managing the Fund's capital to strengthen our financial position. We successfully completed the public offering of an additional 14.7 million units of the Fund at a price of $14.00 per unit, generating net proceeds of $200 million which were used in part to fund the acquisition of the Mississagi power system. We also completed the private placement of a $75 million first mortgage bond on the Powell River assets with a maturity date in 2009. The proceeds were used to repay bridge financing.

Operational Challenges Met

Despite the successful integration of our new power systems and our strong financial performance, we experienced below average water conditions in the Maine and Mississagi power systems, following our acquisition of these quality assets in 2002.

While these water conditions reduced the amount of cash generated during the year, it is worth noting that distributions made to our unitholders were not impacted. We maintained a $25 million hydrology reserve facility and insurance, which mitigates the impact of hydrology fluctuations. The difference between distributable cash generated in 2002 and actual distributions was funded by a $2.7 million drawdown on the hydrology reserve facility and cash on hand.

Health, Safety and Environment

We strive for leadership in health, safety and environmental practices and we are committed to a balanced approach to environmental protection and economic growth for the Fund and the communities in which we operate. We also remain focussed on maintaining healthy and safe working environments and proactively protecting our renewable resources.

These efforts were recognized in 2002. The Fund's Lièvre River Power system was the recipient of two prestigious environmental and safety awards, both of which are outlined in more detail on page 7.

A Positive Look Ahead

This has been an exciting and active year for the Fund, one in which we significantly expanded our asset base and strengthened our operating platform and competitive position in existing and new markets. We enter 2003 confident in our team, our plans and targets and Brascan Power's strong partnership. However, we are not resting on our past achievements. We will continue to seek and capitalize on opportunities to acquire high quality, long-life assets with low operating costs which produce stable and sustainable income streams. And we are motivated more than ever to continue delivering strong financial performance for unitholders and to establish the Great Lakes Hydro Income Fund as the premier income fund in Canada.

On behalf of the Fund's trustees and management team, we would like to thank you for your support and extend our gratitude to our sponsor and our employees for their tremendous efforts and accomplishments. Our success is their success.

André Bureau

André Bureau, O.C.
Chairman of the Board of Trustees
Great Lakes Power Trust

Richard Legault

Richard Legault
President and Chief Executive Officer
Great Lakes Hydro Income Fund

Q: 2002 was a very active year in terms of acquisitions. Do you see this momentum continuing?

A: While 2002 was intense in terms of acquisitions, our focus in 2003 will be to enhance and improve our existing assets. However, we will continue to seek and capitalize on opportunities that add to our distributions and diversify our watersheds.

Q: The Fund has high leverage relative to other income funds. Should we be concerned about it?

A: No. Our unique long-life asset base and stable cash flow can support the Fund's leverage level. We reinvest more than $21 million per year in our power systems to maintain their value. In addition, we have price guarantees at market rates for our power generation, which mitigates refinancing risks and creates value for unitholders.

Q: What kind of assets will be part of the Fund versus the asset base of your sponsor Brascan Power?

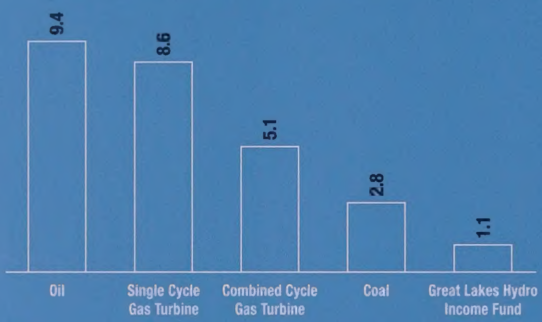
A: The Fund is focussed on long-life, low-cost hydroelectric assets which provide sustainable cash distributions and contribute to our geographic diversification. Brascan Power is committed to supporting the Fund's growth opportunities and may acquire assets with similar risk profiles.

QUALITY ASSETS

The quality of our hydroelectric assets provides us with significant competitive advantages relative to other sources of power generation and contribute strongly to stable and sustainable cash distributions.

CASH OPERATING COSTS

(Cdn¢/KWh) – Based on fuel prices (Oil @ \$7.41/MMBtu[1], Gas @\$6.29/MMBtu and Coal @ \$2.06/MMBtu)



(1) One million British Thermal Units

Long-life, low-cost quality assets provide a stable cash flow stream for unitholders.

(\$ millions)	***Annual Reserve for Capital Expenditures***
Lièvre River Power	6.9
Powell River Energy	1.4
Maine Power	8.5
New Hampshire Power	1.5
Mississagi Power	3.2
Total	**21.5**

Competitive Advantages of Hydroelectricity

- Fueled naturally by water, a renewable and low-cost resource.
- Simple generation process with few moving parts utilizing a proven technology.
- Low and predictable maintenance requirements.

Low-Cost and Reliable Producer

As one of the lowest-cost power producers in North America, the Fund's hydro assets are also among the most reliable sources of electricity with a proven technology and predictable maintenance requirements. Hydroelectric generation is fuelled by a renewable, low-cost resource – water – which means the Fund is insulated from volatile fuel costs required in the generation of most sources of power. In addition, hydroelectric generation employs a process that involves few moving parts which minimizes maintenance costs and required investments of capital. The Fund has an annual reserve of \$21.5 million for its comprehensive

20-year capital program to preserve the value and reliability of all assets. The Fund's facilities are also unique in that they are operated from remote control centres, reducing the costs of labour.

Excellence in Environmental Protection and Health and Safety

The electricity generated by the Fund is derived exclusively from water, a renewable source of energy. Water used in the process is simply returned to the river with no greenhouse gas emissions or other residual waste.

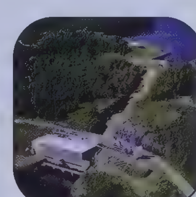
We strive to be among the leaders in sustainable development and health and safety, and we set very high standards to minimize risks. We believe this is an important aspect of doing business. That's why we continue to actively support local communities in which we operate by maintaining open communication and dialogue and continually working to build alliances with all stakeholders. Lièvre River Power is a participant in the Canadian Electricity Association's Environmental Commitment and Responsibility (ECR) program and both Lièvre River Power and Mississagi Power operations are registered to the ISO 14001 standard, recognized worldwide as the standard for excellence in environmental management.

Our leadership in managing health and safety in the workplace has delivered proven results and garnered industry recognition. We have a comprehensive health and safety program in place which includes annual targets, objectives and structured action plans. These safety management systems are in place in all of our operations and we are continually striving to improve our performance.

In 2002, Lièvre River Power was presented with the Gold Award for excellent safety performance in recognition of their standing in the top quartile of the industry for the past three consecutive years. This is on top of its five-year record without an accident. In addition, Lièvre River received an honourable mention from Quebec's Ministry of Public Safety for the successful completion of an emergency preparedness simulation – a solid track record from our dedicated employees.

We exclusively produce hydro-electric power, a renewable source of energy, without exposure to fuel price risk and no greenhouse gas emissions.



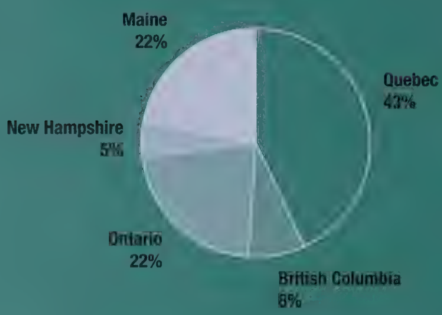



DIVERSIFICATION

The watershed diversity of the Fund's hydroelectric facilities located in five geographic regions in North America, combined with extensive storage capacity contributes significantly to the long-term stability and superior results.

DIVERSIFIED ASSET BASE

(GWh)



	Generating Stations	Average Generation (GWh)	Storage Capacity (GWh)	Capacity Factor
Lièvre River Power	3	1,418	477	68%
Powell River Energy	2	522 [1]	175	73%
Maine Power	6	730	376	66%
New Hampshire Power	6	185	89	68%
Mississagi Power	4	750	184	18%
Total	**21**	**3,605**	**1,301**	**42%**

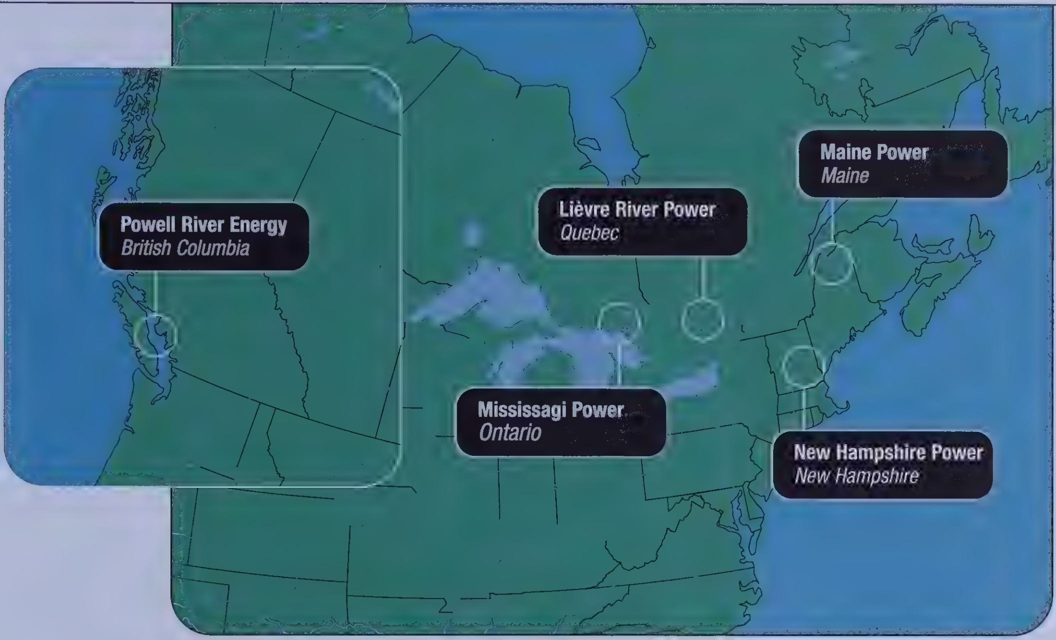
(1) [illegible]

Our operations are strategically located with interconnections to Quebec, Ontario, British Columbia and New England power grids.

Our recent acquisition of the Mississagi, Maine and New Hampshire power systems and their successful integration into our existing operations strengthens our competitive position in key North American power markets – both geographically and operationally.

Watershed Diversification

Now operating across five geographic regions – Quebec, Ontario, British Columbia, Maine and New Hampshire – the Fund is truly diversified with 21 hydroelectric facilities, significant water storage capabilities on six river systems in North America and strategic interconnections between markets. The unique characteristics of our asset base reduces the hydrology risk associated with fluctuations in water levels in any one geographic area.



The Fund has 21 hydroelectric facilities and significant water storage capabilities on six river systems.

Dependable and Flexible Energy

The Fund owns diverse sources of hydroelectric generation which deliver over 3,600 GWh of energy. Our facilities are reliable with low outage rates, operate year round and include peaking and baseload hydroelectric plants, interconnections between the Quebec, Ontario, British Columbia and New England power grids, as well as reservoirs which enhance our operating flexibility.

Each power system operates on average between 65% and 75% of their full generation capacity, providing dependable flexible energy generation. The exception, Mississagi Power, operates its facilities on a peaking basis at an 18% capacity factor – one of its most valuable attributes. This facility can respond in higher demand, peak periods, when the energy is primarily required by Ontario's Independent Electricity Market Operator to service the requirements of the Ontario market.

The Fund's geographic diversity provides stable and sustainable long-term results and access to new and neighbouring markets.




DELIVERING RESULTS

A track record of consistent growth in distributions to unitholders distinguishes the Great Lakes Hydro Income Fund. Our strong performance is driven by select acquisitions and a relentless focus on operational improvements.

	1999		2002
Installed Capacity (MW)	238	More than quadrupled	965
Generating Stations	3	Increased flexibility	21
Average Annual Generation	1,416 GWh	Growth of 154%	3,605 GWh
Power Systems	1	Reducing hydrology risk	5
Distribution	$1.05/year	Increased 14%	$1.20/year
Unit Price	$10.00	Annual return of 22%	$15.23
Total Assets	$320 Million	Growth of 213%	$1 Billion

Since inception, unitholders have received a 22% annual return on their investment in the Fund.

Exceptional Performance Through Disciplined Growth

Since our inception in 1999, Great Lakes Hydro Income Fund has consistently delivered strong results with growth focussed on high quality hydroelectric power generating facilities in key North American markets.

We have more than quadrupled our installed capacity and increased our total assets to more than $1 billion from $320 million since November 1999, and we have met our most important objective – stability and sustainability. During that period, our cash distributions increased from $23.4 million to $58 million on an annualized basis increasing our distributions by 14% from $1.05 to $1.20 per unit annually as a result of growth initiatives which have added value to all unitholders.

In addition, we established a foothold in two new markets, Ontario and New England, and today our operations span five different geographic watersheds, enhancing the stability of the Fund's cash flows by reducing hydrology fluctuations and related risks.

Solid Foundation

With a solid foundation of operational expertise, strong competitive position in several key North American markets, and a focussed strategy for growth, we are well positioned to maintain the momentum. We will continue to seek and capitalize on opportunities to acquire high quality, long-life assets with low operating costs and stable and sustainable income streams in order to increase unitholder value.

We are confident that our efforts to increase and strengthen cash flow from our generation business and expand and diversify our hydroelectric generation asset base will continue to deliver results for unitholders and move us closer to our goal of establishing the Fund as the premier income fund in Canada.

Great Lakes Hydro Income Fund is now the largest power income fund in North America.

The Fund's acquisition of four hydroelectric power systems was accretive to unitholders.

+7¢/unit

Maine and New Hampshire

Acquired February & May 2002

+3¢/unit

Mississagi Power

Acquired May 2002

+4¢/unit

Powell River

Acquired February 2001

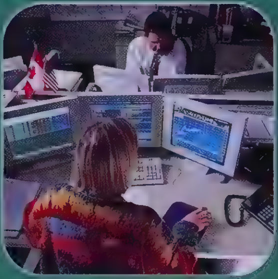
STRONG SPONSORSHIP

The Fund is distinguished by the strong sponsorship of Brascan Power, an industry leader and one of the most active independent power producers in North America.

PRICE AND CONTRACT GUARANTEES

	Customer	Rate (¢/KWh)	Expiry
Lièvre River Power	Industrial and/or Brascan Power (1)	3.6	Nov. 2019
Powell River Energy	Industrial and/or Brascan Power (1)	3.6	Feb. 2021
Maine Power	Brascan Power (2)	(US$) 3.6	Feb. 2022
New Hampshire Power	Brascan Power (2)	(US$) 3.6	Dec. 2022
Mississagi Power	Brascan Power (2)	5.8	May 2022

(1) Brascan Power provides price and credit guarantees
(2) Brascan Power purchases the power at fixed price as a wholesaler



Brascan Power provides important credit and price guarantees for all power produced by the Fund, increasing stability by reducing price risks.

Brascan Power is one of the most active independent power producers in North America and the Fund's largest unitholder with a 50% ownership position. This strong commitment to our success provides us with a significant competitive advantage.

Brascan Power's sponsorship enhances the stability and sustainability of our distributions by guaranteeing the price of all power produced through either long-term power purchase agreements or, in the case where electricity is contracted to third party industrial customers, price and credit guarantees.

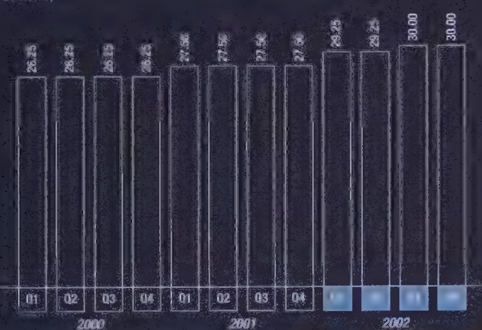
In addition, Brascan Power provides the Fund with a $25 million Hydrology Reserve Facility to mitigate the impact of lower power generation due to below average water conditions. If necessary, the Fund can draw up to $8 million a year to levelize distributions arising from fluctuations in hydrology.

With a broad range of industry expertise and knowledge, Brascan Power also provides a number of valuable services on a cost recovery basis with no added fees.

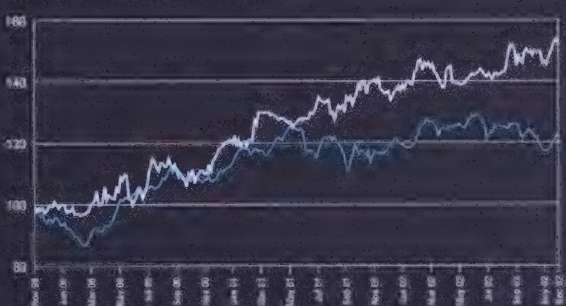
We continue to enhance unitholder value by adding quality assets and increasing our cash flows.

QUARTERLY DISTRIBUTIONS

(¢/unit)



FUND PERFORMANCE



FINANCIAL HIGHLIGHTS

For the 12-month period (in millions of dollars unless otherwise indicated)	2002	2001	2000
Revenues	**112.6**	53.6	54.1
Distributable Cash Generated	**39.6**	22.3	27.4
Per Unit	**0.94**	0.99	1.23
Distribution Declared to Unitholders	**52.9**	27.6	23.4
Per Unit	**1.19**	1.10	1.05
Average Fund Units (000)	**42,316**	22,631	22,290

MANAGEMENT'S FINANCIAL ANALYSIS AND REVIEW

Donald Tremblay
Vice-President and Chief Financial Officer,
Great Lakes Hydro Income Fund

Significant Acquisitions

During the year, the Fund completed the acquisition of three power systems.

Maine Power

On February 1, 2002, the Fund entered the energy sector in the the northeastern United States with the acquisition of Maine Power for a total of US$156.5 million. The acquisition was financed partially from the proceeds of the December 2001 public offering, a bridge loan facility and a promissory note payable. Maine Power is located on the Penobscot River in Maine, USA and includes six hydroelectric generating stations and eleven storage dams, with an installed capacity of 126 MW, producing on average, 730 GWh of electricity annually.

Mississagi Power

On May 17, 2002, the Fund completed the acquisition of Mississagi Power for $345.5 million, financed by the May 2002 public offering and a bridge loan facility. The facilities consist of four hydroelectric generating stations and four water storage dams located on the Mississagi River in Ontario, with an installed capacity of 488 GWh, producing on average, 750 GWh of electricity annually.

New Hampshire Power

On May 31, 2002, the Fund expanded its presence in the northeastern United States with the acquisition of New Hampshire Power for a total of US$31.5 million. The acquisition was financed by a bridge loan facility. The New Hampshire Power assets, located on the Androscoggin River in New Hampshire, have an installed capacity of 31 MW and produce, on average, 185 GWh of electricity annually.

All electricity produced by these power systems is sold under 20-year agreements with Brascan Power.

Power Generation

Total generation of 2,569 GWh represented an increase of 1,164 GWh over 2001. Lièvre River Power and Powell River Energy generation improved by 176 GWh and 90 GWh respectively. The three new power systems contributed an additional 898 GWh, despite below average water conditions following our acquisition.

gigawatt hours	2002 (1)	2001 (2)	Long-term (3) average
Lièvre River Power	**1,400**	1,224	1,418
Powell River Energy	**271**	181	261
Maine Power	**477**	—	730
New Hampshire Power	**81**	—	185
Mississagi Power	**340**	—	750
	2,569	1,405	3,344

(1) Generation from the new power systems has been included since February 2002 for Maine Power, May 2002 for Mississagi Power and New Hampshire Power.

(2) Generation from Powell River Energy has been included since February 2001.

(3) Long-term average represents a full-year generation.

Distributable Cash and Distributions

Distributable cash generated totalled $39.6 million, an increase of $17.3 million over 2001, attributable to better water conditions in Lièvre River Power and Powell River Energy and the addition of the three new power systems.

During 2002, the Fund distributed $52.9 million compared to $27.6 million in the previous year. Distribution per unit of $1.185 cents increased by 8% over 2001.

Distributions declared and paid to unitholders are based on sustainable distributable cash generated using long-term average water conditions.

Years ended December 31

thousands	2002	2001
Revenues	**$ 112,583**	$ 53,574
Operating expenses	**31,388**	13,404
Interest expense	**26,063**	11,072
Capital program reserve	**15,509**	6,793
Distributable cash	**$ 39,623**	$ 22,305
Distributions	**$ 52,908**	$ 27,623

The difference between the distributable cash generated in 2002 and the distributions paid to unitholders was funded by a drawdown on the hydrology reserve facilities totalling $2.7 million in January 2003 and cash on hand.

Revenues

Years ended December 31

thousands, unless otherwise specified	2002	2001
Electricity sales		
Lièvre River Power	**$ 49,881**	$ 44,736
Powell River Energy	**9,489**	6,323
Maine Power	**26,845**	—
New Hampshire Power	**4,524**	—
Mississagi Power	**20,429**	—
	111,168	51,059
Other revenues	**1,415**	2,515
	$ 112,583	$ 53,574
Average price – ¢/KWh	**4.33**	3.63

Electricity sales for the year totalled $111.2 million compared to $51.1 million in 2001, an increase of 118%. Improved water conditions at Lièvre River Power and Powell River Energy had a positive impact adding $8.3 million in electricity sales. Power systems acquired during the year generated $51.8 million in electricity sales despite below average water conditions.

Transmission revenues, included in other revenues, increased to $1.0 million in 2002 from $0.7 million in 2001.

No hydrology insurance income was recorded in other revenues in 2002, compared to $1.6 million recorded in 2001.

Cash Operating Expenses

Years ended December 31 thousands	2002	2001
Operating and maintenance	**$ 19,835**	$ 8,211
Water royalties and taxes	**11,623**	5,338
Administration and selling	**5,495**	3,392
	$ 36,953	$ 16,941
Operating expenses (1)	**$ 31,388**	$ 13,404

(1) Excludes major maintenance ($4,263 in 2002; $2,481 in 2001), pre-funded expenses ($728 in 2002; $1,056 in 2001) and cash income tax ($574 in 2002; nil in 2001).

Operating and Maintenance

Operating and maintenance costs totalled $19.8 million in 2002, an increase of $11.6 million compared to 2001.

The acquisition of the Maine, Mississagi and New Hampshire power systems added $10.9 million to our operation and maintenance costs, in line with our expectations. Additional premiums for liability and property insurance account for most of the increase in costs at Lièvre River Power and Powell River Energy.

Years ended December 31 thousands	2002	2001
Lièvre River Power	**$ 7,647**	$ 7,299
Powell River Energy	**1,288**	912
Maine Power	**6,303**	—
New Hampshire Power	**2,105**	—
Mississagi Power	**2,492**	—
	$ 19,835	$ 8,211

Water Royalties and Taxes

Water royalties and taxes increased to $11.6 million in 2002 from $5.3 million in 2001. Property taxes for the Maine, New Hampshire and Mississagi power systems totalled an additional $4.1 million in 2002, while additional water royalties, related to the addition of Mississagi Power and better generation in Lièvre River Power and Powell River Energy, added $2.0 million.

Administration and Selling

General and administration expense in 2002 totalled $5.5 million, an increase of $2.1 million over 2001 mainly because of the addition of the new power systems.

Interest and Financing Fees

Years ended December 31 thousands	2002	2001
GLPT (1) first mortgage bonds	**$ 7,429**	$ 7,392
PREI (2) first mortgage bonds	**1,057**	—
Bridge facilities		
PREI	**1,102**	2,962
GLHA (3)	**10,821**	—
Mississagi Power	**4,967**	—
Credit facility	**687**	718
	$ 26,063	$ 11,072

(1) Great Lakes Power Trust
(2) Powell River Energy Inc.
(3) Great Lakes Hydro America

Interest and financing fees totalled $26.1 million in 2002, an increase of $15 million over 2001 related primarily to financing costs for the Maine, New Hampshire and Mississagi power systems.

Depreciation and Amortization

Depreciation and amortization expense in 2002 totalled $20.1 million compared to $10.2 million in 2001, due primarily to the addition of the new power systems. This was partially offset by a change in the estimate of the useful life of certain assets, which reduced depreciation expense by $2.4 million.

Years ended December 31 thousands	2002	2001
Lièvre River Power	$ 7,774	$ 8,367
Powell River Energy	1,663	1,794
Maine Power	5,256	—
New Hampshire Power	696	—
Mississagi Power	4,722	—
	$ 20,111	$ 10,161

Financial Position

Property, Plant and Equipment

At December 31 thousands	2002	2001
Lièvre River Power	$ 323,658	$ 318,721
Powell River Energy	56,722	57,976
Maine Power	250,594	—
New Hampshire Power	53,061	—
Mississagi Power	342,322	—
	$ 1,026,357	$ 376,697

At December 31, 2002 property, plant and equipment totalled $1,026.4 million, an increase of $649.7 million during the year.

The change in property, plant and equipment is primarily due to the acquisition of the three power systems for $638 million. In addition, $23.3 million was invested in capital projects to maintain the reliability and the value of all our assets. These expenditures are in line with the Fund's 20-year capital program and funded partially by our capital expenditure reserve totalling $15.5 million ($6.8 million in 2001) and partially by cash on hand.

Financing

As at December 31, 2002, the Fund's total debt was $474 million detailed as follows:

At December 31 thousands	2002	2001
Long term		
GLPT first mortgage bonds	$ 100,000	$ 100,000
PREI first mortgage bonds	37,500	—
GLHA bridge facility	178,540	—
Others	657	1,000
Current		
Mississagi Power bridge facility	150,000	—
PREI bridge facilities	—	46,500
GLPT credit facility	7,300	14,300
	$ 473,997	$ 161,800

The Powell River Energy Inc. ("PREI") first mortgage bonds were issued in July 2002, bear interest at a rate of 6.4% and mature on July 24, 2009. Proceeds from this issue were used to partially repay PREI bridge facilities. PREI first mortgage bonds are rated A (low) by Dominion Bond Rating Service Inc.

The Great Lakes Hydro America ("GLHA") bridge facility was issued in February 2002 to partially finance the acquisition of Maine Power and increased in May to finance the acquisition of New Hampshire Power. It bears interest at US prime rate plus 150 basis points and matures on January 30, 2005.

The Mississagi bridge facility was issued in September 2002 to repay a bridge facility put in place to complete the acquisition of Mississagi Power.

It bears interest at 30-day bankers' acceptance ("BA") rate plus 60 basis points until March 2003 and 80 basis points thereafter. It matures on September 4, 2003.

The Great Lakes Power Trust ("GLPT") first mortgage bonds Series 1, 2 and 3, issued in April 2000, bear interest at an annual rate of 7.33%, 7.55%, and 7.78%, respectively and are due on April 24, 2005, 2010 and 2015, respectively. GLPT first mortgage bonds are rated BBB+ by S&P.

The GLPT credit facility consists of a $25 million line of credit and a $25 million term loan available for general corporate purposes. At December 31, 2002, the Fund had drawn $7.3 million.

As part of the Mississagi Power acquisition, Brascan Power provided the Fund with an additional hydrology reserve facility of $10 million, of which a maximum of $3 million per year can be drawn down. The Fund now has $25 million of hydrology reserve facilities with a maximum drawdown of $8 million per year. The facilities bear interest at Canadian prime rate plus 200 basis points.

In January 2003, the Fund made a drawdown on its hydrology reserve facilities to fund part of the quarterly distribution demonstrating that mechanisms in place to maintain distributions are effective.

Our asset base, with its long-life nature, low and predictable operating costs, and the price and credit guarantee on all power produced, can comfortably support the actual level of debt without materially affecting its risk profile.

Unitholders' Equity

On May 23, 2002, the Fund completed a public offering for an additional 14.7 million trust units. The net proceeds from the offering totalled $199.8 million and were used to partially finance the acquisition of Mississagi Power. At December 31, 2002, 48.3 million trust units of the Fund were outstanding (33.6 million in 2001).

The Fund recorded an amount of $16.8 million in 2002 against unitholders' equity to reduce the carrying amount of goodwill relating to the future tax liability recorded following the acquisition of Powell River Energy.

Business Environment and Risks

Distributable cash fluctuates mainly in relation to the availability of water in the river systems. While changes in the level of precipitation impact the power generation of the Fund's individual operations, the fact that we have power stations in several watersheds helps to mitigate the impact of these fluctuations. A hydrology insurance program was implemented in 2001 to reduce the impact of below average water conditions. Lièvre River Power, Powell River Energy and Maine Power were part of that program in 2002 and no claim was made under the policy. Changes to the hydrology insurance program will be implemented in 2003 to better reflect the benefits of our watershed diversification and improve our coverage.

In addition, Brascan Power provides the Fund with a $25 million hydrology reserve facility, which can be used to levelize cash distributions to unitholders during periods of unfavourable water conditions.

Business Outlook and Operating Strategy

The Fund is focussed on producing stable and sustainable distributions and enhancing unitholder value for the benefit of all our unitholders by improving our operation and by capitalizing on accretive acquisitions in line with our risk and business profile.

In 2002, the Fund increased its quarterly distribution per unit to 29.25¢ in April and to 30¢ in October, an increase of 9% over quarterly distributions of 27.5¢ in 2001 following the successful completion of three accretive acquisitions.

However, below average water conditions in all watersheds in the second half of 2002, negatively impacted power generation in the fourth quarter, and those conditions are expected to remain in the first quarter of 2003.

Distributable cash generated from our power systems is expected to exceed our distribution under normal water conditions. The Fund also has access to the hydrology reserve facility and the hydrology insurance to mitigate the impact of lower generation.

Forward-Looking Statements

The Fund's financial analysis and review contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend" and other expressions which are predictions of or indicative of future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, weather conditions, interest rates, availability of equity and debt financing and other risks. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

MANAGEMENT'S RESPONSIBILITY

To the Unitholders of Great Lakes Hydro Income Fund

The attached financial statements and other financial information have been prepared by the Fund's management, which is responsible for their integrity and objectivity. To fulfill this responsibility, the Fund maintains appropriate systems of internal control and policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. These policies and procedures are designed to provide reasonable assurance that relevant and reliable financial information is produced. These statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on judgements of management. Financial information presented elsewhere in this annual report is consistent with that shown in the accompanying financial statements.

Ernst & Young LLP, the independent auditors appointed by the unitholders, have examined the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion of the financial statement. Their report as auditor is set out below.

The statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have full access to the Audit Committee and meet with the committee both with and without the presence of management. The Board of Directors, through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the financial statements.

Donald Tremblay
Vice-President and Chief Financial Officer

January 24, 2003

AUDITORS' REPORT

To the Unitholders of Great Lakes Hydro Income Fund

We have audited the consolidated balance sheets of Great Lakes Hydro Income Fund as at December 31, 2002 and 2001 and the consolidated statements of unitholders' equity, income and cash flows for the years then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Ottawa, Canada
January 24, 2003

CONSOLIDATED BALANCE SHEET

As at December 31

thousands	*Notes*	*2002*	*2001*
Assets			
Current			
Cash and cash equivalents		**$ 2,417**	$ 153,726
Accounts receivable	4	**5,187**	8,289
Prepaid expenses and maintenance materials		**6,184**	1,025
		13,788	163,040
Property, plant and equipment	3, 5	**1,026,357**	376,697
Other assets	6	**1,403**	17,659
		$ 1,041,548	$ 557,396
Liabilities and Unitholders' Equity			
Current			
Accounts and other payables	4	**$ 16,750**	$ 9,991
Distribution payable to unitholders		**14,483**	9,234
Bridge facilities	9	**150,000**	46,500
Credit facility	11	**7,300**	14,300
		188,533	80,025
Long-term debt	8	**316,697**	101,000
Deferred credits	10	**16,673**	16,921
		521,903	197,946
Unitholders' Equity	14	**519,645**	359,450
		$ 1,041,548	$ 557,396

(See accompanying notes)

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

Years ended December 31

thousands	*Notes*	*2002*	*2001*
Balance, beginning of year		**$ 359,450**	$ 220,867
Units issued	14	**199,771**	150,632
Net income		**30,864**	15,574
Distributions to unitholders		**(52,908)**	(27,623)
Adjustment for change in accounting policy	2	**(16,787)**	—
Currency translation adjustment	2	**(745)**	—
Balance, end of year		**$ 519,645**	$ 359,450

Approved on behalf of the Fund

Richard Legault

Richard Legault
President and Chief Executive Officer

Donald Tremblay
Vice-President and Chief Financial Officer

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31 thousands, except per trust unit amounts	Notes	2002	2001
Revenues	2, 4	**$ 112,583**	$ 53,574
Expenses			
Operating and maintenance	4, 15	**31,458**	13,549
Interest and financing fees	13	**26,063**	11,072
Administration and selling expenses	4	**5,495**	3,392
		63,016	28,013
Income before non-cash items		**49,567**	25,561
Depreciation and amortization	2	**20,111**	10,161
Future taxes	15	**(1,408)**	(174)
Net income		**$ 30,864**	$ 15,574
Net income per trust unit		**$ 0.73**	$ 0.69
Weighted average number of units outstanding	14	**42,316**	22,631

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31 thousands	2002	2001
Operating Activities		
Net income	**$ 30,864**	$ 15,574
Items not affecting cash:		
Depreciation and amortization	**19,616**	10,017
Amortization of deferred financing fees	**495**	144
Future income taxes	**(1,408)**	(276)
Cash flow from operations	**49,567**	25,459
Change in non-cash working capital	**(2,015)**	(283)
	47,552	25,176
Investing Activities		
Purchase of power systems	**(637,981)**	(56,500)
Additions to capital assets	**(23,326)**	(15,089)
	(661,307)	(71,589)
Financing Activities		
Issuance of trust units	**205,800**	155,182
Payment of issuance costs	**(6,029)**	(4,550)
Deferred financing fees	**(1,026)**	—
Bridge facility – issuance	**350,000**	46,500
Bridge facility – repayment	**(246,500)**	—
Credit facility – drawdown	**12,586**	14,300
Credit facility – repayment	**(19,586)**	—
Long-term debt – issuance	**214,860**	1,000
Distributions to unitholders	**(47,659)**	(24,240)
	462,446	188,192
Increase (decrease) in cash and cash equivalents	**(151,309)**	141,779
Cash and cash equivalents, beginning of the year	**153,726**	11,947
Cash and cash equivalents, end of the year	**$ 2,417**	$ 153,726
Cash and cash equivalents are comprised of:		
Cash	**$ 2,417**	$ 3,086
Short-term investments	**—**	150,640
	$ 2,417	$ 153,726
Supplementary information:		
Interest paid during the year	**$ 22,792**	$ 10,434
Taxes paid during the year	**$ 951**	$ —

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature and Description of the Fund

Great Lakes Hydro Income Fund ("the Fund") was established under the laws of the Province of Quebec pursuant to a Declaration of Trust ("Trust Indenture") dated September 14, 1999 as an unincorporated open-ended trust. The Fund commenced its operation on November 18, 1999 and owns, through its wholly-owned trust Great Lakes Power Trust ("GLPT"), Lièvre River Power, which consists of three hydroelectric generating stations located on the Lièvre River in the Province of Quebec; through its wholly-owned trust, Powell River Energy Trust ("PRET"), a 50% economic interest in Powell River Energy Inc. ("PREI"), which owns two hydroelectric generating stations located on the Powell and Lois Lakes in British Columbia; through its wholly-owned trust GNE Trust ("GNET"), Great Lakes Hydro America ("GLHA"), which consists of (a) Maine Power's six hydroelectric generating stations and eleven water storage dams located on the Penobscot River in Maine, USA, and (b) New Hampshire Power which consists of six hydroelectric stations located on the Androscoggin River in New Hampshire, USA; and through its wholly-owned trust Mississagi Power Trust ("MPT"), Mississagi Power which consists of four hydroelectric generating stations and four water storage dams located on the Mississagi River in Ontario.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

(a) Basis of Consolidation

The consolidated financial statements of the Fund include the accounts of its wholly-owned trusts, GLPT, PRET, GNET and MPT. The accounts of PREI are recorded using the proportionate consolidation method in the consolidated financial statements of the Fund.

(b) Property, Plant and Equipment

Capital assets are accounted for at cost. The cost of the capital assets, less estimated residual value, is depreciated over the estimated useful lives of the assets on a straight line basis.

Dams	60 years
Plant and equipment	5 to 40 years
Water rights	40 years

In 2002, the Fund changed on a prospective basis its estimate of the period over which dams are amortized from 40 years to 60 years. The impact of this change on the net income of the Fund for fiscal 2002 is an increase of $2,396.

(c) Deferred Financing Fees

Financing costs associated with the offering of First mortgage bonds are capitalized as deferred financing fees and are amortized over the term of the financing.

(d) Income Recognition

Electricity sales are recorded at the time energy is delivered to customers. Hydrology insurance income is recognized when insurance proceeds can be reasonably estimated and collection is reasonably assured. For 2002, revenues include hydrology insurance income of nil (2001 – $1,587) and are net of a reduction of the Deficiency Amount of $76 (2001 – $290) (see note 4a) and of the cost of third-party supplied energy of $1,476 (2001 – $279).

(e) Income Taxes

As the Fund is an unincorporated trust, it is entitled to deduct from income for tax purposes cash distributions paid or payable to unitholders and

consequently it is expected that the Fund will not be liable for tax under Part 1 of the Income Tax Act. The deductibility of distributions to the unitholders represents an exemption from future income taxes relating to temporary differences as the Fund is committed to continue to distribute to its unitholders all or virtually all of its taxable income that would otherwise be taxable in the Fund.

Income taxes for PREI and GNET are calculated using the liability method. Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes give rise to future income tax liabilities. These temporary differences are measured using the tax rates substantially enacted at the balance sheet date.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. Actual results could differ from estimates.

(g) Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less are classified as cash and cash equivalents. The fair value of cash equivalents approximates the amount shown on the financial statements.

(h) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies have been translated at the rate of exchange in effect at the balance sheet date, and revenues and expenses at average rates of exchange during the period. As a self-sustaining foreign subsidiary, GLHA's currency translation gain or loss has been recorded as a currency translation adjustment on the balance sheet.

(i) Cash Distribution

Distributable income, as defined in the Trust Indenture, is distributed to unitholders of record on the last day of each calendar quarter no later than the 30th day of the month following the record date.

(j) Change in Accounting Policy

In September 2001, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3062, "*Goodwill and Other Intangible Assets*" effective January 1, 2002. Under this guideline, an initial measurement of goodwill impairment must be performed. The Fund performed this assessment as at June 30, 2002, and, as a result, the Fund recorded an amount of $16,787 against unitholders' equity to reduce the carrying amount of goodwill relating to the future tax liability recorded following the acquisition of Powell River Energy. This accounting change did not have a material effect on net income for the year ended December 31, 2002 compared to December 31, 2001.

(k) Pension Benefits and Employee Future Benefits

The cost of retirement benefits for the defined benefit plan and post-employment benefits are recognized as the benefits are earned by the employees. The Fund uses the accrued benefit method pro-rated on length of service and management's best estimate assumptions to value its pension and other retirement benefits. Assets are valued at fair value for the purpose of calculating the expected return on plan assets. For the defined contribution plan, the Fund expenses payments based on employee earnings.

(l) Financial Instruments

The carrying amount of the Fund's financial instruments included in current assets and current liabilities approximate fair value due to their short-term nature.

(m) Comparative Figures

Certain balances of the previous year have been reclassified to conform with the current year's presentation.

3. Acquisitions

During 2002, the Fund completed the acquisition of three power systems. These acquisitions have been accounted for using the purchase method and results of operations have been included in these consolidated financial statements since their date of acquisition. The following table summarizes the acquisitions:

	2002			2001
Power Systems	Maine Power	Mississagi Power	New Hampshire Power	Powell River Energy
Date of Acquisition	February 1	May 17	May 31	February 2
Fair value assigned to the assets				
Property, plant and equipment	**$ 249,997**	**$ 345,524**	**$ 50,026**	$ 58,000
Goodwill	**—**	**—**	**—**	17,197
	$ 249,997	**$ 345,524**	**$ 50,026**	$ 75,197
Acquisitions were funded through				
Bridge facility	**$ 127,200**	**$ 345,346**	**$ 50,160**	$ 43,500
Cash	**115,275**	**—**	**—**	—
Note payable	**7,155**	**—**	**—**	—
Future income tax liability	**—**	**—**	**—**	17,197
Shareholders' investment	**—**	**—**	**—**	13,000
Working capital and others	**367**	**178**	**(134)**	1,500
	$ 249,997	**$ 345,524**	**$ 50,026**	$ 75,197

4. Related Parties Transactions

(a) Pursuant to a 20-year Power Agency and Guarantee Agreement, ("Guarantee Agreement") expiring in 2019, Great Lakes Power Inc., referred to as "Brascan Power", which owns 50.1% of the Fund's units, guarantees to GLPT the price (the "Guaranteed Price") of each Megawatt hour (MWh) of energy produced and delivered by Lièvre River Power. In 2002, the Guaranteed Price was (a) $37.57 per MWh for 1,065,000 MWh, and (b) $30.46 per MWh for generation in excess of 1,065,000 MWh. The Guaranteed Price is subject to an annual adjustment equal to the lesser of 40% of the increase in the Consumer Price Index (CPI) during the previous year or 3%. Should the total revenues of the business of Lièvre River Power from all sources, be less than the Guaranteed Price for energy, then Brascan Power will pay to GLPT an amount equal to such deficiency (the "Deficiency Amount"). In the years where Brascan Power is able to sell electricity produced by Lièvre River Power for prices in excess of the Guaranteed Price, Brascan Power will receive the positive difference, if any, between the revenues received by GLPT from sales of electricity and all ancillary services and the Guaranteed Price for all energy (the "Guaranteed Amount").

(b) Pursuant to 20-year power purchase agreements expiring in 2022, Maine Power, Mississagi Power and New Hampshire Power will sell to Brascan Power all energy generated at rates of US$35.75 per MWh for Maine and New Hampshire Power and Cdn$57.75 per MWh for Mississagi Power. The energy rates are subject to an annual adjustment equal to 20% of the increase in the CPI during the previous year. Pursuant to a 20-year Power Purchase Guarantee Agreement, Brascan Power guarantees to PREI the obligation under the power purchase agreement for an annual fee of $250.

(c) Brascan Power has provided hydrology reserve facilities (the "Facility") totalling $25,000 (2001 – $15,000) to the Fund in order to levelize cash distributions to unitholders due to change in hydrology from year to year, up to a maximum drawdown of $8,000 per year (2001 – $5,000). The Facility is available until 2014 ($15,000) for Lièvre River Power and 2017 ($10,000) for Mississagi Power. The Facility is unsecured, bears interest at the prime rate of a Canadian chartered bank plus 2% and is repayable from the excess revenues in years when electricity generated and delivered exceeds average levels.

(d) Brascan Power operates and maintains and/or provides administrative services to Lièvre River

Power, Powell River Energy and Mississagi Power. Brascan Power is paid on a cost recovery basis for all costs incurred and it does not receive any fee for the provision of these services. The agreements mature between 2019 and 2022.

(e) Brascan Financial Corporation ("Brascan Financial"), a related party by virtue of being under common significant influence, made available bridge financing for the acquisitions of Powell River Energy and Mississagi Power (see note 9 for terms and conditions).

(f) As part of the acquisition of Maine Power, the Fund had a Note payable (the "Note") to the Seller. The Note was pledged to Brascan Power by the Seller to secure its obligations under a power purchase agreement with Brascan Power. As the Seller defaulted on its obligations to Brascan Power, Brascan Power made payment demand of the Fund in December in the amount of $4,503. At December 31, 2002 the note was recorded as a current liability.

(g) Pursuant to a 10-year power purchase agreement, expiring in 2009, GLPT provides to Nexfor Inc. ("Nexfor"), a related party by virtue of being under common significant influence, a quantity of electricity at a fixed rate escalated annually.

(h) The following table summarizes related party transactions for the period.

	2002	2001
Revenues		
Sales of electricity to:		
Brascan Power	**$ 67,390**	$ 9,599
Nexfor	**7,416**	8,988
Others	**151**	(323)
	$ 74,957	$ 18,264
Expenses		
Operations, maintenance, and administration services provided by Brascan Power	**$ 5,297**	$ 3,739
Interest and fees paid to Brascan Financial	**5,323**	737
Others	**250**	744
	$ 10,870	$ 5,220

As a result, the following balances are receivable:

	2002	2001
Nexfor	**$ 878**	$ 711
Brascan Power	**2,625**	2,245
	$ 3,503	$ 2,956

5. Property, Plant and Equipment

	2002			2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	**$ 4,028**	**$ —**	**$ 4,028**	$ 3,000
Dams	**356,626**	**9,063**	**347,563**	106,753
Plant and equipment	**696,031**	**28,658**	**667,373**	259,361
Water rights	**8,000**	**607**	**7,393**	7,583
	$ 1,064,685	**$ 38,328**	**$ 1,026,357**	$ 376,697

6. Other Assets

	2002	2001
Goodwill	**$ —**	$ 16,787
Deferred financing fees	**1,403**	872
	$ 1,403	$ 17,659

In 2002, the Fund incurred $1,026 of deferred financing fees (2001 – nil) and amortization totalled $495 (2001 – $144).

7. Interest in Joint Venture

The following amounts represent the share of the Fund in the financial position of PREI as at December 31, 2002, results of operations and cash flows of PREI for the year ended December 31, 2002.

	2002	2001
Financial position		
Current assets	**$ 1,654**	$ 3,374
Long-term assets	**57,438**	74,805
Current liabilities	**(1,735)**	(48,865)
Long-term liabilities	**(54,012)**	(18,921)
Proportionate share of net assets	**$ 3,345**	$ 10,393
Results of operations		
Revenues	**$ 9,441**	$ 7,702
Expenses	**7,958**	6,772
Proportionate share of net income	**$ 1,483**	$ 930
Cash flows		
Cash flow from		
Operating activities	**$ 1,832**	$ 3,036
Financing activities	**(653)**	47,500
Investing activities	**(1,084)**	(59,360)
Proportionate share of changes in cash	**$ 95**	$ (8,824)

8. Long-Term Debt

	2002	2001
GLPT – First mortgage bonds		
Series 1 – bearing an annual interest rate of 7.33% payable quarterly, maturing on April 24, 2005	**$ 50,000**	$ 50,000
Series 2 – bearing an annual interest rate of 7.55% payable quarterly, maturing on April 24, 2010	**25,000**	25,000
Series 3 – bearing an annual interest rate of 7.78% payable quarterly, maturing on April 24, 2015	**25,000**	25,000
PREI – First mortgage bonds		
Series 1 – bearing an annual interest rate of 6.4% payable quarterly, maturing on July 24, 2009	**37,500**	—
GLHA – Bridge facility		
Bearing an annual interest rate of US Prime plus 150 basis points payable monthly, maturing on January 30, 2005	**178,540**	—
Other long-term debt	**657**	1,000
	$ 316,697	$ 101,000

The GLPT and PREI first mortgage bonds and GLHA bridge facility are secured by a first ranking lien on all GLPT, PREI and GLHA assets respectively. The fair value of the first mortgage bonds is estimated at $144,000. Fair value was estimated by the Fund by comparing the rates currently available for long-term debt of similar terms and risks. In January 2003, GLHA refinanced its bridge facility with Brascan Financial.

9. Bridge Facilities

	2002	2001
Mississagi bridge facility	**$ 150,000**	$ —
PREI – Senior term loan	**—**	35,000
PREI – Junior term loan	**—**	11,500
Current debt	**$ 150,000**	$ 46,500

The Mississagi bridge facility is secured by a fixed and floating charge on all present and future real and personal property of Mississagi Power. This facility bears an annual interest rate of 30-day Bankers Acceptance ("BA") rate plus 60 basis points until March 2003 and 80 basis points thereafter, payable monthly and matures on September 4, 2003.

Brascan Financial, a related party, provided bridge facilities for the acquisition of Mississagi Power. The senior bridge facility, of an amount of up to $150,000, bore interest at the 30-day BA rate plus 150 basis points and was fully refinanced in September 2002 with the proceeds of the Mississagi bridge facility. The subordinated bridge facility of $200,000 bore interest at the 30-day BA rate plus 350 basis points and was fully repaid in May 2002 by the Fund through the issuance of Trust units as disclosed in Note 14.

The PREI senior term loan of $35,000 bore interest at the 30-day BA rate plus 125 basis points and the junior term loan of $11,500, provided by Brascan Financial, bore interest at the 30-day BA rate plus 350 basis points. Both loans were fully repaid in July 2002 with the issuance of the PREI first mortgage bonds.

10. Deferred Credits

Deferred credits are comprised of:

	2002	2001
Future income taxes (Note 15)	**$ 15,513**	$ 16,921
Accrued pension and post-retirement benefit liability (Note 12)	**1,160**	—
	$ 16,673	$ 16,921

11. Revolving Line of Credit and Term Loan

GLPT has available a $25,000 line of credit and a $25,000 term loan ("credit facility") for general corporate purposes which can be drawn upon in Canadian dollars or American dollars and is bearing interest based on Canadian prime rate, US base rate or LIBOR plus a margin. Standby fees of 20 basis points are charged on the undrawn credit facility. If not renewed, the credit facility will be due on the earlier of (i) the date on which issued Series 1 first mortgage bonds are due or redeemed, and (ii) November 18, 2004. At December 31, 2002, the Fund had drawn $7,300 (2001 – $14,300) on the credit facility in the form of BAs. The credit facility ranks pari passu with GLPT first mortgage bonds and is secured by a first ranking lien on all GLPT's assets.

12. Pension Benefits and Employee Future Benefits

Mississagi Power maintains defined benefit pension and non-pension benefit plans to all of its employees and GLHA offers a defined contribution plan to all of its employees. The details of these plans are outlined below:

	Defined Benefit Pension Plan	Non-Pension Benefits Plan
Assumptions		
Discount rate	**6.75%**	6.75%
Long-term rate of return on plan assets	**7.00%**	—
Rate of compensation increase	**3.00%**	—
Health care trend – current	**—**	9.00%
Health care trend – ultimate	**—**	4.00%
Accrued pension obligations		
Balance, May 17, 2002	**$ 5,608**	$ 817
Current service cost	**134**	25
Interest cost	**245**	33
Balance, December 31, 2002	**$ 5,987**	$ 875
Fair value of plan assets		
Balance, May 17, 2002	**$ 5,632**	$ —
Employee contributions	**42**	—
Actual return on plan assets	**52**	—
Balance, December 31, 2002	**$ 5,726**	$ —
Plan deficit	**(261)**	(875)
Unamortized transitional asset	**24**	—
Accrued benefit liability	**$ (285)**	$ (875)
Expense		
Current service costs	**$ 134**	$ 25
Interest on accrued benefits	**245**	33
Expected return on plan assets	**(248)**	—
	$ 131	$ 58
Defined contribution plan		
Employer expense	**$ 140**	$ —

13. Interest and Financing Fees

Interest and financing fees are comprised of:

	2002	2001
Interest on long-term debt	**$ 8,486**	$ 7,392
Interest and financing fees on bridge facilities	**17,140**	3,190
Interest on credit facility	**437**	490
	$ 26,063	$ 11,072

14. Unitholders' Equity

The Trust Indenture provides that an unlimited number of trust units may be issued. Each unit represents an undivided beneficial interest in any distribution from the Fund and in the net assets in the event of termination or wind-up. All units are the same class with equal rights and privileges.

In May 2002, the Fund issued 7,350,000 units at $14.00 per unit less underwriters' fees of $5,145 and 7,350,000 units to Brascan Power at the same price ("Unit Offering"). Gross proceeds from this Unit Offering totalled $205,800 and issuance costs totalled $6,029. As at December 31, 2002, 48,276,476 (December 31, 2001 – 33,576,476) trust units were outstanding for an amount of $573,308 (December 31, 2001 – $373,537). In December 2001, the Fund issued 11,286,000 units, of which 5,643,000 units were issued and sold to Brascan Power, for a total proceed of $155,182 less issuance costs of $4,550.

The units are redeemable at the holder's option at an amount equal to the lesser of (i) 90% of the weighted average market price during the period of the last 10 days during which the trust units were traded on the Toronto Stock Exchange, and (ii) the closing market price at the date of redemption as defined in the Trust Indenture. Redemptions are subject to a maximum of $250,000 in cash redemptions in any particular month. Redemptions in excess of this amount will be paid by way of a distribution of units and notes of GLPT.

15. Income Taxes

The provision for income taxes in the consolidated statements of earnings represents an effective tax rate different than the Canadian statutory rate of 40%. The differences are as follows:

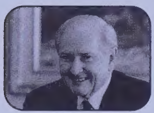
	2002	2001
Earnings before income taxes	**$ 30,147**	$ 15,559
Computed income tax expense at Canadian statutory rate	**$ 12,059**	$ 6,224
Increase (decrease) resulting from:		
Income of trust distributed directly to unitholders	**(10,480)**	(5,893)
Manufacturing and processing credit	**(1,321)**	(681)
Rate reduction	**(1,045)**	—
Others	**70**	335
Recovery of income taxes	**$ (717)**	$ (15)
Presentation in the statement of income		
Taxes included in operating and maintenance expense	**$ 691**	$ 159
Future taxes	**(1,408)**	(174)
	$ (717)	$ (15)
Future tax liabilities		
CCA in excess of book depreciation	**$ 15,513**	$ 16,921

16. Geographic Segmented Information

The Fund operates in Canada and the United States. Revenues and property, plant and equipment by country are as follows:

	2002	2001
Revenues		
Canada	**$ 81,160**	$ 53,574
United States	**31,423**	—
	$ 112,583	$ 53,574
Property, plant and equipment		
Canada	**$ 722,702**	$ 376,697
United States	**303,655**	—
	$ 1,026,357	$ 376,697

OUR TRUSTEES IN PROFILE



André Bureau, O.C.
Chairman of the Board
Astral Media

Counsel with Heenan Blaikie, Mr. Bureau has spent his professional career in the field of communications. He is currently Chairman of the Board of Astral Media Inc., Viewer's Choice Canada, Historia, Séries +, Canal Indigo, Teletoon, Musique Plus and TV Max Plus Productions Inc. He is also a Director of Microcell Telecommunications Inc., AT&T Canada and The Guarantee Company of North America. He is President, Canadian Chapter of the International Institute of Communications. From 1983 to 1989, Mr. Bureau was Chairman of the Canadian Radio-Television and Telecommunications Commission (CRTC).

Dian Cohen, C.M.
President
DC Productions Ltd.

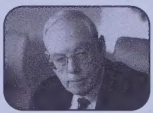
Distinguished broadcaster, author and recipient of a number of honorary degrees for excellence in economics and business, Ms. Cohen is the former National Business Editor of CTV and President of DC Productions Limited and is the author or co-author of five books and numerous radio, television, video and print productions. She is a director of, or advisor to several Canadian and international corporations, including Nexfor, Pan-Canadian Petroleum, Royal and Sun Alliance Insurance, Canadian Pacific Limited, Sun Life Assurance Company of Canada and The Second Cup.

Pierre Dupuis
Chief Operating Officer
Dorel Industries Inc.

Chief Operating Officer of Dorel Industries Inc., he is a director and advisor to several Canadian corporations, including Nexfor. He was formerly President and Chief Executive Officer (1994–1996) of Sico Inc., prior to which he was a senior executive at Domtar Inc.

Harry A. Goldgut
Vice-Chairman and Chief Executive Officer
Brascan Power

Vice Chairman and Chief Executive Officer of Brascan Power Corporation. He has been involved in the electric power industry since 1985, and joined the Brascan group in 1997. Mr. Goldgut has been actively involved in developing and expanding Brascan's power operations in North America. He also played an active role in the restructuring of the electricity industry in Ontario as a member of Ontario's Market Design Committee.



Kenneth W. Harrigan, O.C.
Corporate Director

Former Chairman and Chief Executive Officer (1981–1992) of Ford Motor Company of Canada, Limited. He is a director and advisor to several Canadian and international corporations, including Gerdau AmeriSteel Corp., Samuel Manu-Tech Inc., Camco Inc., Woodbine Entertainment Group, and AM 740 Toronto.

Edward C. Kress
Chairman
Brascan Power

Chairman of Brascan Power Corporation. He joined the Brascan group in 1974 and held a variety of executive positions, including Chief Executive Officer of Great Lakes Power and Chief Financial Officer of Brascan.

Richard Legault
President and Chief Operating Officer
Brascan Power

President and Chief Operating Officer of Brascan Power Corporation. He joined the Brascan group in 1989 and has held a number of positions in the power and forest products sectors within the group.

CORPORATE GOVERNANCE

Sound and effective corporate governance is a priority for the Great Lakes Hydro Income Fund Board of Trustees. To maintain your confidence in the way in which we do business, we will review and communicate our practices, benchmark them against companies acknowledged as leaders and ensure that we are in compliance with the existing guidelines and aware of evolving regulatory trends. We remain committed to financial transparency and accountability to our unitholders and welcome any comments you may have on our corporate governance and investor relations program.

CORPORATE INFORMATION

Great Lakes Hydro Income Fund

Sole Trustee

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Montreal, Quebec
H3A 2A6

Officers of the Fund

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Chief Executive Officer

Donald Tremblay
Vice-President and
Chief Financial Officer

Ginette Berthel
Secretary

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www.greatlakeshydro.com

Annual Meeting

The Fund's 2003 Annual Meeting of Unitholders will be held at the Hockey Hall of Fame, The Esso Theatre, BCE Place, 30 Yonge Street, Toronto, Ontario, at 2:00 p.m. on April 28, 2003.

Transfer Agent & Registrar

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www.cibcmellon.ca

Exchange Listing

TSX: GLH.UN

Internet Address Information

Visit us online at www.greatlakeshydro.com for more information about the Great Lakes Hydro Income Fund. The 2002 Annual Report is also available online. For detailed and up to date news and information, please visit our News Release section.

Investor Relations

Additional financial information has been filed electronically with various securities regulators in Canada through SEDAR at www.sedar.com.

Unitholder Enquiries

Unitholder enquiries should be directed to Léonie Bouvier, Director, Investor Relations and Communications at 819-986-4606 or leonie.bouvier@greatlakeshydro.com

Communications

We endeavour to keep our unitholders informed of our progress through a comprehensive communications program which includes our annual report, quarterly interim reports and periodic press releases. We also maintain a web site that provides summary information on the company and ready access to our published reports, press releases, and stock information.

Trustees and management meet with the company's unitholders at the Annual Meeting and are available to respond to questions at any time. We maintain an investor relations program to respond to enquiries in a timely manner. Management meets on a regular basis with investment analysts and financial advisors to ensure that accurate information is available to investors. We also endeavour to ensure that the media are kept informed of developments as they occur.

Ce rapport est disponible en français.

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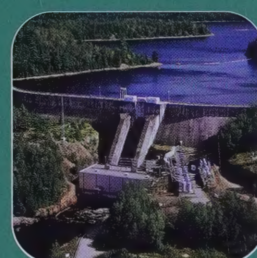
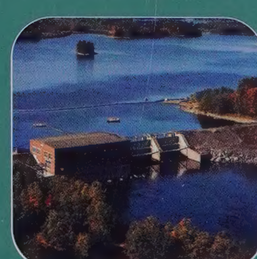
Our goal to become the premier income fund in Canada is fuelled by our confidence in our team, strategy and track record.

Visit our website for current updates
www.greatlakeshydro.com





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